

Message Text

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ORIGIN INT-01

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DRAFTED BY OMSN:JBERG:TJD
APPROVED BY OMSN:PRROSENBLATT
OTA:GMILNER

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TO CINCPACREP GUAM PRIORITY
TTPI GUAM PRIORITY

C O N F I D E N T I A L STATE 040744

LIMDIS CINCPACREP GUAM: PASS ONLY TO HICOM AND SLNO

E.O. 11652: GDS-84

TAGS: PGOV, TQ

SUBJECT: FINANCING OF MARSHALL ISLANDS POLITICAL STATUS
COMMISSION (MIPSC)

1. DEPUTY SLNO HAS THIS DATE INFORMED OMSN OF DISTAD
DE BRUM'S ACTION IN DISAPPROVING A NITIJELA BILL
WHICH WOULD HAVE AUTHORIZED THE MIPSC TO SECURE A
COMMERCIAL LOAN TO COVER COSTS OF THEIR PARTICIPATION
IN POLITICAL STATUS NEGOTIATIONS. THIS IS THE FIRST
WE HAD HEARD OF THIS BILL. PURPOSE OF THIS CABLE IS
TO INFORM YOU OF RELATED ACTIVITIES IN WASHINGTON IN
ORDER TO MAKE SURE THAT MY POSITION IS FULLY CONSIS-
TENT WITH YOURS, AND TO SEEK YOUR ADVICE.

2. AS YOU RECALL, PALAU AND MARSHALLS POLSTACOMS RE-
QUESTED USG LOAN ASSISTANCE AT MOLOKAI ROUND. THERE-
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AFTER THE ISSUE WAS GIVEN INTERAGENCY REVIEW ON THE
PREMISE THAT ANY SUCH ASSISTANCE WOULD BE SOUGHT BY
WAY OF DIRECT CONGRESSIONAL APPROPRIATION. IAG CON-
CLUDED THAT WE WERE NOT IN A POSITION TO ADVANCE EITHER
GRANT OR LOAN ASSISTANCE TO ANY OF OUR NEGOTIATING
PARTNERS IN THESE TALKS. I MADE THIS POSITION KNOWN

VERBALLY TO EACH OF THE POLSTACOMS AT SAN DIEGO LAST JANUARY AND CONFIRMED IT ON FEBRUARY 6, 1978 TO SENATOR

TMETUCHL IN RESPONSE TO HIS JANUARY 8 LETTER TO ME ASKING FOR A WRITTEN TURN-DOWN.

3. SUBSEQUENT TO SAN DIEGO VARIOUS ALTERNATIVE FUNDING PROPOSALS WERE MADE BY THE MIPSC, WHICH APPEARS TO BE FACING THE MOST IMMEDIATE AND SEVERE FINANCIAL PRESSURES, PARTICULARLY IN LIGHT OF THE COM'S ACTION IN DIVERTING FORMER MARSHALLESE RIGHT TO LEVY ONE PERCENT TAX ON KWAJ CONTRACT EMPLOYEES. ONE SUCH WAS REVIVAL OF MOLOKAI PROPOSAL FOR AUTHORITY TO APPLY A MARSHALLESE TAX ON ALL INCOME OVER \$15,000 EXEMPTION LEVEL. THIS WOULD HAVE THE EFFECT OF DIVERTING SOME TAX REVENUE FROM U.S. TREASURY TO MARSHALLESE WITHOUT IMPOSING ANY ADDITIONAL BURDEN ON THE INDIVIDUAL TAX PAYERS INVOLVED. THIS IS STILL UNDER CONSIDERATION HERE.

4. A SECOND SUGGESTION WAS THAT THE MIPSC ATTEMPT TO SECURE A COMMERCIAL LOAN FROM AN AMERICAN BANK IN HAWAII. MIPSC REQUESTED A LETTER FROM ME SETTING FORTH ROLE OF MIPSC IN NEGOTIATIONS AND INDICATING LACK OF USG OPPOSITION TO SUCH A LOAN. AFTER ASCERTAINING FROM DOI GC THAT THERE WAS NO LEGISLATIVE BAR AND THAT THERE WAS PRECEDENT IN CASE OF MARSHALL ISLANDS DEVELOPMENT AUTHORITY FOR LEGAL CREATURE OF NITIJELA FLOATING OWN LOANS, CONFIDENTIAL

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I CONCLUDED THAT THERE WAS NO EVIDENT REASON WHY THE MATTER SHOULD NOT BE EXPLORED FURTHER. I THEREFORE DRAFTED REQUESTED LETTER WITH ALL APPROPRIATE CAVEATS AND WAS ABOUT TO REQUEST FINAL INTERAGENCY CLEARANCE AND YOURS WHEN I RECEIVED WORD OF THE EXISTENCE OF THE NITIJELA BILL AND OF ITS VETO.

5. IN LIGHT OF VETO I NEED YOUR ADVICE BEFORE FURTHER ACTION IS TAKEN. DEPUTY SLNO INFORMED US THAT THE REASON FOR THE DISAPPROVAL BY THE DISTAD IS A LEGAL PROHIBITION AGAINST A DISTRICT LEGISLATURE OR ONE OF ITS DERIVATIVE ORGANIZATIONS SECURING A COMMERCIAL LOAN. THIS IS CONFUSING IN LIGHT OF OUR AFOREMENTIONED INFORMATION THAT MIDA SECURED A LOAN FOR THE MARSHALLS COPRA FACILITY. WE REALIZE THAT MIDA AND MIPSC ARE NOT QUITE THE SAME KINDS OF ENTITIES AND THAT MIDA AT LEAST HAD ACCESS TO SOME ASSETS IN CASE OF DEFAULT. HOWEVER, THE FACT REMAINS THAT IT, LIKE MIPSC, IS A CREATION OF THE NITIJELA. OMSN CONTINUES TO BELIEVE THAT MIPSC'S FISCAL PROBLEMS COULD BE ALLEVIATED BY A COMMERCIAL LOAN, IF THEY CAN FIND A WILLING BANK AND IF ANY LEGAL PROBLEMS

CAN BE RESOLVED.

6. FYI OMSN HAS BEEN BESEIGED BY MIPSC REQUESTS FOR

FUNDING ASSISTANCE WHICH HAVE BECOME INCREASINGLY DESPERATE AT AND SINCE SAN DIEGO. WE ARE NOW INFORMED THAT MIPSC HAS \$100 LEFT IN ITS TREASURY AND THAT IT IS SIMPLY UNABLE TO CARRY ON ACTIVITIES ASSOCIATED WITH NEGOTIATIONS ANY FURTHER UNTIL ITS FUNDING PROBLEM IS SOMEHOW SOLVED. MEANWHILE WE HAVE TAKEN WHAT WE REGARD AS HIGHLY PROMISING STEPS TOWARDS RESOLVING PRINCIPLE POLITICAL ISSUES BETWEEN US ON DEFINITION OF FREE ASSOCIATION. SUCCESS IN THIS EFFORT WILL CARRY ALONG PALAUANS AND GIVES SOME PROMISE OF FAVORABLE RECEPTION BY CFPST. THIS FUNDING CRISIS, WHICH IS DIVERTING SO MUCH OF OUR TIME FROM GUT
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NEGOTIATING ISSUES, THEREFORE SERIOUSLY THREATENS PROGRESS OF NEGOTIATING EFFORT. I SEEK YOUR JUDGMENT ON THIS QUESTION. END FYI.

7. WITH REGARD TO THE MARSHALL'S CONSTITUTIONAL CONVENTION, THE MIPSC CHAIRMAN AND OTHERS SEEM TO HAVE THE IMPRESSION THAT I COMMITTED THE USG TO FUNDING ITS OPERATIONS. I HAVE NOT DONE SO, DO NOT BELIEVE WE SHOULD DO SO AS LONG AS THE FATE OF THE FSM CONSTITUTION IN THE MARSHALLS REMAINS UNDECIDED, AND AM NOT AWARE HOW ANYTHING I EVER SAID COULD HAVE LEFT ANY SUCH IMPRESSION. I HAVE ASKED THE STATUS LNO TO CORRECT ANY MISIMPRESSIONS.

8. I AM WRITING TO SENATOR KABUA ON THE ENTIRE MATTER AND WILL PROVIDED YOU WITH COPY OF SAME. AMBASSADOR ROSENBLATT SENDS. VANCE

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